Diese Website verwendet Cookies von Google, um Dienste anzubieten und den Traffic zu analysieren. Deine IP-Adresse und dein User-Agent werden zusammen mit Messwerten zur Leistung und Sicherheit für Google freigegeben. So können Nutzungsstatistiken generiert, Missbrauchsfälle erkannt und behoben und die Qualität des Dienstes gewährleistet werden.

WEITERE INFORMATIONEN OK

Saturday, October 11, 2008

Origins of the joint-stock corporation

The modern joint-stock corporation has many sources in medieval Europe. First among these was corporate law itself. Although the era is commonly referred to as "feudalism," for the hierarchy of individually owned "fiefs" of land and control of serfs as fixtures of that land, large amounts of wealth in Europe were actually controlled by corporate entities. Chief among these were church lands, the corporate entities being dioceses, religious orders and the Roman Church itself. These entities controlled a substantial fraction of the land in Western Europe. Furthermore cities (with varying degrees of political independence), merchant guilds, craft guilds, and many charitable entities (such as hospitals) were legal "corporations," i.e. artificial and perpetual legal persons under law. Some basic issues in corporate law (for example, when are officers individually liable for acts of the corporation, and when the corporation is liable for acts of its agents) had already been solved in canon law and urban law long before the joint-stock corporation.

Another source of the joint-stock corporation was the tradition of dividing ownership over tangible things into "shares." For example, it was common in Italian maritime states fund the construction and operation of ships by dividing them into a certain number of shares (24 and 64 were common divisions). Share owners were responsible for funding voyages (not including cargo, which was typically paid for by trading partnerships called *commenda*) as well as the initial construction capital, and divided up the profits (fees paid by the merchants less costs). This tradition faded away in Venice when that republic's government took over ship ownership, but thrived across the Italian penninsula in Genoa. Ship shares became embedded into maritime law all over Europe and even survived the British Empire (today in Canada when you register a boat the government still registers 64 shares in it for its owner). The only organization controlled by the shareholders, however, was the captain and crew of the ship.

The medieval organizations that most resembled later joint-stock corporations were the Genovese *maone*. These bore some strong resemblances to the *publicani* tax farming corporations of the Roman Republican era, although it is not clear how they could have survived the intervening Late Empire and Dark Ages other than as very obscure (and perhaps now lost) written descriptions. In form and function *maone* also bore strong resemblances to some early joint-stock companies such as the Bank of Amsterdam, Bank of England, and the Dutch and English East India Companies.

The Italian cities often sold off their tax receivables to wealthy merchants at a discount as a way to borrow funds. (Discounting was one of the many ways late medieval financiers avoided the rather lax and narrow usury restrictions). The debts were divided into equal shares called *loca* or *partes*. Legally, these shares were personal property (chattels) and could be freely traded.

Technically, no organization was created when the city sold its tax receivables to merchants. However, to effectively collect the taxes, the holders of *loca* formed an organization called a *maona* or *societas comperarum*. This organization would then subcontract to tax

Pages

- Home

About Me

Nick Szabo

"A premier thinker about history, law and economics, and the lessons they have for security." -- Adam Shostack, Emergent Chaos

"Szabo comes out with these essays that leave me in awe." -- Brian Dunbar

"Reading material that is eclectic, challenging and endlessly fascinating." -- Sean McGrath, Propylon

"Like most blogs worth my attention, this blog is updated only infrequently. That is because the authors of blogs worth my attention only post when they have something to say that is true, relevant and not already known by their audience. Most of the human race does not have the skill to know when an idea has these three properties. The skill is particularly rare in the fields of politics and economics, which is why this blog is such a rare and valuable thing." -- Richard Hollerith

View my complete profile

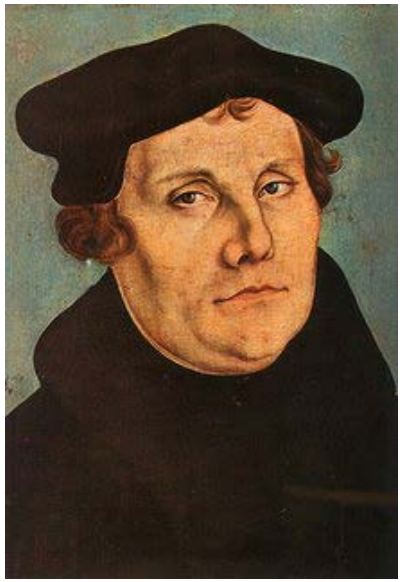
farmers to collect the taxes. By the fourteenth century, Genovese *maone* also engaged in military conquest and colonization. These were, quite literally, corporate raiders.

Normally, *maone* were temporary, but some of them ended up lasting for a long time. In 1346 the *Maona di Chio e di Focea* (a company for managing the taxes of Chios and Focea) was formed. This organization's members obtained from Genoa the exclusive right to collect taxes from Chios (an Aegean island) and Phocaea (a port on the Anatolian coast). But first the company would have to conquer them! Although technically a temporary organization, it lasted until 1566.

Rather than going to buy receivables from Genoa, subscriptions to the *di Chio e di Focea's loca* shares (still legally debt, but to be paid out in dividends as taxes and trading revenues were collected) went to fund 29 galleys to conquer Chios and Phocaea. The Genovese Republic, for a fee, granted the organization exclusive rights to collect taxes from the conquered territories as well as special trading privileges. The conquests, taxes, and trading were at least partially successful, and by the 16th century more than 600 persons owned *loca* of the *maona.* This function and some of this structure would later be emulated by the Dutch and English India Companies, but with a basic legal difference -- "shares" in these later joint-stock companies would constitute ownership (like ship shares) not debt as with the *maona.*

The most famous Genovese *maona* was the *Officium procuratorum San Giorgio*, later the *Banco di San Giorgio*. Founded in 1407, this bank (and a later Genovese bank along the same lines, the Bank of Genoa) would be the inspiration for later central banks such as the Bank of Amsterdam and the Bank of England. *Banco di San Giorgio* came to administer most of the Genovese Republic's debts. Dividends were paid out of tax collections (less directly than with earlier *maona*, but still more directly than the later Bank of England). The *maona* business was becoming more monopolistic, as it had become in Venice and would become with later central banks.

At the same time, however, the ship share system spread to northern Europe and branched out beyond ships. In Italy and Germany by the 16th century a wide variety of mines were divied up into ownership shares. During the Reformation, a pious follower of Martin Luther gave him some *kuxen*, shares in a mine in Saxony. Luther complained that he did not know what to do with them. (Indeed, since as with ship shares the mine managers could call on investors to pay up more capital, ownership was not for the financially naive).



Martin Luther

Ship shares and mine shares like these were issued in small numbers (usually between 24 and 640) and thus were not typically traded on exchanges. The number of employees was also small, usually no more than a few dozen. *Kuxen* were reportedly sometimes traded at the Leipzig fairs. Indeed, illiquidity was the rule in the first century of English joint-stock companies. It was not until the *Vereenigde Oostindische Compagnie* (the Dutch East India Company, founded out of a merger of smaller colonial companies in 1602) that volume existed to trade company shares on exhanges (which up to that time traded state and municipal bonds and commodities).

Interestingly, the first joint-stock companies chartered by the English Crown (starting in 1553) were companies involved in trading (the Muscovy and Levant companies), mining (the Royal Mines and the Mineral and Battery), and trading combined with conquest (the India Companies, the Virginia and Plymouth companies, etc.) The two mining companies borrowed not only shares but managers and engineers (presumably along with their techniques) from Germany. The Genovese for their part would have felt at home with the trading and conquest companies.

Blog Archive

- ► 2018 (1)
- ► 2017 (3)
- ► 2016 (4)
- ► 2015 (3)
- ► 2014 (3)
- ► 2013 (3)
- ► 2012 (8)
- ► 2011 (12)
- ► 2010 (9)
- ► 2009 (29)
- ▼ 2008 (55)
  - ► December (2)
  - ▼ October (2)
    - Origins of the joint-stock corporation
    - Emergency economics
  - ► September (4)
  - ► August (9)
  - ► July (4)
  - ► June (6)
  - ► May (6)
  - ► April (4)
  - ► March (10)
  - ► February (5)
  - ► January (3)
- ► 2007 (47)
- ► 2006 (130)
- ► 2005 (44)

References include:

Harold Berman, *Law and Revolution*.

Guido Ferrarini, "Origins of Limited Liability Companies and Company Law Modernisation in Italy: A Historical Outline", *Centro di Diritto e Finanza* WP 5-2002.

Meir Kohn, "The Capital Market Before 1600", working paper 99-06, February 1999.

Posted by Nick Szabo at 12:19 PM

2 comments:

Iang said...

One of the factors in the rise of the corporation was the invention of double-entry bookkeeping, invented sometime around the 1400s AD, and ultimately documented in 1494 by Luca Pacioli, a Friar in Venice. This mechanism allowed an easy separation between errors and theft; basically, all transactions were now checkable by the owner, and allocatable to assets. This easier view meant that employees could be "trusted" more easily, without resort to earlier popular techniques such as beheading of accountants.

Double-entry trust had something of a redux in the early digital cash days, when pioneers built their own accounting systems. Not understanding the real secret of double entry, they had to learn the hard way by debugging why their computer systems kept losing money.

6:26 AM

Anonymous said...

i very much love all your posting way, very interesting.
don't give up and also keep posting due to the fact that it simply just that is worth to look through it.
excited to find out way more of your current articles, good bye :)

6:42 PM

Post a Comment

Newer Post Home Older Post

Subscribe to: Post Comments (Atom)

Simple theme. Powered by Blogger.